The Government Bank Bailout
Plan Subsidizes Swindlers

James Petras

James Petras is an emeritus professor of sociology at Binghamton University in New York. He is a widely published author with numerous articles and 63 book credits to his name. His latest book, Rulers and Ruled in the U.S. Empire, was published in 2007.

The government was wrong to authorize a bailout of U.S. banking institutions. By making these banks’ debts a public burden, the government has allowed the swindlers to escape punishment and forced the taxpayer to subsidize bankers’ wrongdoings. Such a plan will embolden the swindlers to continue to cheat the system, knowing that their actions have no personal repercussions. The government should have used the bailout money to invest in health care, industry, education, or other elements of the national infrastructure that will generate tangible benefits for the economy.

Treasury Secretary [Henry] Paulson and President [George W.] Bush backed by the Democratic Congressional leadership have asked Congress for $700 billion dollars to bail out Wall Street financial institutions.

Over the past several years these banks reaped billions of dollars borrowing and speculating on mortgages, securities and other financial paper with virtually no capital covering

their bets. With the fall in the housing market, Wall Street’s financial debts skyrocketed, the value of their holdings evaporated and they are saddled with trillions of dollars of debt.

Paulson, Bush and the Congressional leadership want the US taxpayer to buy Wall Street’s worthless private debts, saddling current and future generations of US taxpayers with worthless paper.

Paulson/Bush and the Congressional leaders falsely claim that failure to bail out the Wall Street swindlers will lead to the collapse of the financial system. In fact, almost 200 of our leading economists from the most prestigious universities reject Paulson’s bailout. The truth of the matter is that withholding funds to Wall Street will lead to the collapse of the swindler-speculator-run financial system, which created the current economic debacle.

---

Bailing out swindlers only encourages more swindling.

Opportunity for Public Oversight

The Federal Government can and should use the hundreds of billions of public money to establish a national, publicly controlled banking and investment system subject to oversight by elected representatives. The collapse of the current bankrupt financial system is both a threat and an opportunity: The collapse of this corrupt system has led to the loss of jobs and frozen credit and lending; the establishment of a new publicly owned banking system offers an opportunity to finance the priorities of the vast majority of the American people: the re-industrialization of our economy, a universal national health program, securing and extending social security into the next century, rebuilding our decaying infrastructure and many other programs essential to the American way of life.

The problem is not the false alternative of bailing out Wall Street or financial chaos and collapse: The real choice is be-